Colorado to pursue other interests in lieu of relocating to the Company's newly relocated corporate offices in North Carolina.

On July 25, 2007, the Company entered into an employment agreement with Mark Hahn to serve as its Chief Financial Officer and Vice President of Administration effective August 14, 2007.

On August 10, 2007, the Company announced that it has entered into an Agreement with Midsummer under which the Company would issue Midsummer 1,500 shares of Series D Convertible Preferred Stock and 375,000 common stock purchase warrants; in return, Midsummer would pay the Company $500,000 in cash, less outstanding interest to date on a 14% Secured Debenture of $1 million issued by the Company on May 22, 2007. Additionally, Midsummer would agree, as part of the transaction, to cancel the outstanding $1 million debenture from the Company.

Additionally, under the Agreement, common stock warrants would be issued to Midsummer with an exercise price of $6.40 per share, subject to certain adjustments, and expire three years from the date of issuance. The Series D Convertible Preferred Stock will have a stated value of $1,000 per share, and pay dividends at a rate of 8% per year. The Series D stock will be non-voting and must be redeemed by the Company 18 months from the date of issuance.

9. Related Party Transactions

On March 27, 2007, Louis Slaughter, the Company's Chairman and Chief Executive Officer, loaned $65,000 to the Company through an interest-bearing note. The note bears interest at 7% per annum. The maturity date is March 26, 2008, with interest accruing to and payable on the maturity date. Interest expense on the loan through June 30, 2007 was $1,140.

ITEM 2. MANAGEMENT'S DISCUSSION OR PLAN OF OPERATION

You should read this section together with our Condensed Consolidated Financial Statements and related notes thereto included elsewhere in this report.

CAUTIONARY STATEMENT CONCERNING FORWARD-LOOKING STATEMENTS

This report contains forward-looking statements that involve risks and uncertainties. We generally use words such as "believe," "may," "could," "will," "intend," "expect," "anticipate," "plan," and similar expressions to identify forward-looking statements, including statements regarding our expansion plans. You should not place undue reliance on these forward-looking statements. Our actual results could differ materially from those anticipated in the forward-looking statements for many reasons, including the risks described in this report, our annual report on Form 10-KSB and other filings we made from time to time filed with the Securities and Exchange Commission. Although we believe the expectations reflected in the forward-looking statements are reasonable, they relate only to events as of the date on which the statements are made, and our future results, levels of activity, performance or achievements may not meet these expectations. We do not intend to update any of the forward-looking statements after the date of this document to conform these statements to actual results or to changes in our expectations, except as required by law.

OPERATIONS REVIEW

Our primary business is to design, develop, market, sell, lease, install and service advanced point-to-point wireless communications links capable of transmission speeds at or in excess of one gigabit-per-second. Our products operate in the 71-76 GHz and 81-86 GHz spectrum bands. We believe that the unprecedented amounts of bandwidth provided by these spectrum blocks and the quality of our proprietary product designs allows for wireless communications at previously unattainable fiber-equivalent speed and reliability. Our target customers are telecom operators, carriers and network operators, communications and IT service providers, including WiLECs, system integrators and value added resellers, government agencies and other enterprises including financial services organizations seeking cost-effective millimeter wave wireless solutions.

Our focus has been primarily on the design, continuing development, production, sale and installation of our Series Gig*E* and WiFiber G Series Gig*E* marketing product lines, developed internally and through our strategic partnering activities, as well as obtaining debt and equity financings and conversions of our IPO common stock warrants to fund such efforts. Our financing activities have totaled, net to us, approximately $49.3 million since January 2004.

We have not yet generated significant sales or achieved a cash flow breakeven level from operations. Consequently, we continue to depend on debt and equity financings to fund our cash requirements.

At June 30, 2007, we had cash and cash equivalents of $53,084. Our net working capital (current assets less current liabilities) as of June 30, 2007 was $604,313. Our accounts payable liabilities were $2,856,150 at June 30, 2007. Management believes we will continue to incur net losses from operating activities through at least December 31, 2007.

To date, we have supported our operations by: 1) selling our products and related services, 2) raising additional operating cash through the private sale of our redeemable preferred and convertible preferred stock, 3) selling convertible debt in a private sale, 4) issuing common stock shares upon conversion of common stock warrants issued at the time of our IPO and 5) issuing notes to existing investors.

These steps have provided us with the cash flows to continue our business through the date of this report, but have not resulted in significant improvement in our current financial position. The following efforts have been undertaken or are in process as part of our efforts to secure suitable financings, improve working capital and increase cash flows with the objective to improve its long-term financial viability:

- On January 5, 2007, we reduced our total work force levels from 53 to 26 persons.

- With the agreement of our landlord, and with no further lease payment obligations, we closed our Lewisville, Texas location in early January, 2007 and combined these operations into our Durham, NC facility. In July 2007, we relocated our corporate offices, including our administrative, finance and accounting functions to the Durham facility.

- Vigorous collection of accounts receivable balances, and in certain cases, we require substantial money in advance of shipment of links.

- In January 2007, to conserve cash, we requested a waiver from the Series B and Series C shareholders to receive their quarterly dividend in shares of our common stock in lieu of a cash dividend. All of the Series B preferred stockholders agreed to the waiver. We issued 71,144 shares of our common stock. The shares of common stock were valued at $4.2449 (90% of the average of the Volume Weighted Average Price ("VWAP") for the 20 consecutive trading days ending December 29, 2006.)

- In January 2007, in order to conserve cash, we requested a waiver from the Series C preferred stockholders in order to pay their quarterly dividend in shares of our common stock in lieu of a cash dividend. All of the Series C preferred stockholders agreed to the waiver and we issued 47,115 shares of our common stock. The shares of common stock were valued at $4.2449 (90% of the average of the VWAP for the 20 consecutive trading days ending December 29, 2006). In addition, in consideration for agreeing to the waiver, we agreed to issue a number of common stock purchase warrants equal to 50% of the number of shares of common stock issued as payment for the January 2007 dividend.

- In April 2007, again to conserve cash, we requested a waiver from the Series B and Series C shareholders to receive their quarterly dividend in shares of our common stock in lieu of a quarterly cash dividend. Additionally, in consideration for agreeing to the waiver, we offered to the holders of the Series B and Series C stock a number of common stock purchase warrants equal to 50% of the number of shares of common stock issued as payment for the April 2007 dividends. All of the Series B and Series C shareholders agreed to the waiver and we issued 173,660 shares of our common stock and 86,829 common stock purchase warrants. The common stock shares were valued at $2.8907 (90% of the VWAP for the 20 consecutive trading days ending March 30, 2007).

- In July 2007, we again requested a waiver from the Series B and Series C shareholders to pay their quarterly dividend in shares of our common stock in lieu of a cash payment. Additionally, in consideration for agreeing to the waiver, we offered to the holders of the Series B and Series C stock a number of common stock purchase warrants equal to 50% of the number of shares of common stock as payment for the July 2007 dividends. Should all of the Series B and Series C shareholders

accept the offered stock for the July dividend, we would issue 198,474 shares of our common stock and 99,237 common stock purchase warrants equal to 50% of this amount.

- On April 17, 2007, we received proceeds of $500,000 under a note payable from an existing investor. On May 22, 2007, we received $493,210 additional proceeds from the same investor. These two loans were rolled into a $1 million short-term financing, due in May 23, 2008. In August 2007, we announced a financing agreement with the same investor under which the investor would invest an additional $500,000 and the $1 million short-term facility will be converted into a new class of convertible preferred stock. Additionally, we will issue common stock purchase warrants to the investor.

- Reducing cash operating expenses to levels that are in line with current revenues. We may seek reductions in certain operations expenses through the issuance of additional common shares of our stock in lieu of cash payments to key vendors. We have no assurance that we will enter into any such arrangements with any of our vendors.

- Offering discounts on the exercise of certain warrants.

Our ability to obtain additional working capital required for funding our operations over the next 12 month period is dependent on our ability to increase significantly our product sales volume and commence accounts receivable financings, generate cash through the exercise of our outstanding stock warrants, as well as obtain future financing from public and/or private debt and/or equity markets including current investors or shareholders. Any assumption as to obtaining cash through the exercise of our outstanding stock warrants is dependent upon the price of our common shares exceeding the exercise price of any of the outstanding warrants. Our inability to obtain additional capital could require us to change our business strategy, which could include a further reduction, curtailment or cessation of our operations to conserve cash and maintain liquidity until such time, if ever, that sufficient cash proceeds from operations are realized. Any future sale of our equity securities would dilute the ownership and control of our existing shareholders.

For the six months ended June 30, 2007, our net sales totaled $2,352,705 primarily from the sale of our WiFiber G Series Gig*E* products. Sales for the six months ended June 30, 2006 totaled $2,355,198. Subsequent to the June 30, 2007 balance sheet date, we have announced several orders for our WiFber™ product, including orders from customers in the U.S., Africa and the Middle East.

Trends and uncertainties affecting our revenue

The following are key factors currently and potentially affecting our revenue:

- Economic conditions - An important factor affecting our ability to generate revenue is the effect of general economic conditions on our customers' willingness to spend on wireless technology, and particularly, last mile implementation and enterprise communication technology. As economic conditions have globally improved since our inception, we have seen indications that enterprises may be more willing to spend capital on communication technology. While the world economy is expected to grow, variability in corporate profit growth, interest rates, energy prices and other factors in specific markets could impact the willingness of corporate, governmental and enterprise target markets to spend capital on communication technology in the near term. Additionally, the by-country variability in worldwide economic growth could also impact our business as growth rates of developed and more stable economies tend to be lower than that of emerging economies, where there could be more variables affecting the economic growth.

- Competitive environment - Although we believe that we are one of the first entrants into the higher spectrum bands and at the speeds of our current millimeter wave product, other companies are marketing products using the same spectrum bands as of June 30, 2007. As the carrier, reseller and enterprise communication markets evolve, we expect more companies, who may not currently compete with us, to enter the high speed bandwidth wireless communication sector in the future.

- The period from initial customer trials of our links to date of purchase commitment and sale is unpredictable and can often cover several months.

Research and development

Research and development expenditures include payrolls and benefits, engineering and product design fees paid to contractors and for software and material costs used by employees and contractors in the development of new or enhanced product offerings. Research and development expenses also include depreciation of capitalized testing and production equipment purchased.

Depending on our overall liquidity position, we expect to continue investing resources to introduce and commercially deploy our products, develop subsequent generations of these products and identify and address demand for new solutions with additional products. We are currently devoting resources to completing the development of our WiFiber G series *OC-48*, which we expect to introduce in mid-2008 and to initiatives related to product unit cost reduction.

Manufacturing plan

Our products have a modular design. The detailed designs of our initial products have been completed and the necessary components and modules (subassemblies) to produce these products have been developed for commercial production. We outsource the manufacture of key components and modules to leading companies in their respective fields, including some of our strategic partners, who are currently adapting their particular components and/or modules to fit within our product designs. The final assembly of our products' modules and

final quality control testing of the finished products, however, will occur at our facilities. Currently, our final assembly is handled at our Sunnyvale, CA facility. Depending on the ultimate scale of our operation, we may contract out significant aspects of assembly and testing of our products.

We slowed our inventory acquisition program in mid-2006 due to uncertainties in our sales forecasts in the second half of the year and through the quarter ended June 30, 2007. All of the WiFiber G Series Gig*E* finished goods and parts are in good condition and we expect to use substantially the entire inventory in our operations. We expect to continue our on premises manufacturing activities during the next twelve months as we consider outsourcing substantial parts of our manufacturing assembly and test activities for commercial production.

General and administrative

General and administrative expenses consists primarily of salaries and related costs for legal, accounting, auditing, administration, human resources, information systems, travel and the costs of operating as a publicly traded company.

Selling and marketing

Selling and marketing expenses consists primarily of travel, trade shows, salaries and related costs and expenses to pursue new market opportunities domestically and abroad.

Service, install and link operations

Expenses are primarily related to site analysis, installation and after sales maintenance for our products. The link operations group supports our global sales activities; expenses consist primarily of salaries and related benefits, contract worker expenses, travel costs and supplies for daily operations.

CRITICAL ACCOUNTING POLICIES

We have identified the policies below as critical to our business operations and the understanding of our results of operations. The impact and any associated risks related to these policies on our business operations are discussed throughout this section where such policies affect our reported and expected financial results. Our preparation of our Condensed Consolidated Financial Statements requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of our financial statements, and the reported amounts of revenue and expenses during the reporting period. There can be no assurance that actual results will not differ from those estimates.

Our accounting policies that are the most important to the portrayal of our financial condition and results, and which require the highest degree of management judgment are included below.

Inventories

Inventories are valued at lower of cost (first-in, first-out method) or market. We regularly review parts and finished goods inventories on hand and, when necessary, record a provision for excess or obsolete inventories based on primarily on current selling prices and sales prices in confirmed backlog orders.

Property and Equipment

Property and equipment and web-site development are recorded at cost less accumulated depreciation and amortization. Depreciation and amortization are computed using the straight-line method over the estimated useful lives, ranging from three to seven years. Maintenance and repairs are expensed as incurred.

Intangibles and Long-Lived Assets

Intangible assets consist primarily of patents and trademarks. We have adopted the guidelines for accounting for these assets as set out in Statement of Financial Accounting Standards ("SFAS") No. 142, "Goodwill and Other intangible Assets" ("SFAS 142"). Under the requirements as set out in SFAS 142, we amortize the costs of acquired patents purchased over their remaining legal lives. Costs for current patent applications based on internally developed processes, primarily legal costs, are capitalized pending disposition of the individual patent application, and are subsequently either amortized based on initial patent life granted or evaluated for impairment periodically by our management.

SFAS No. 144 "Accounting for Impairment or Disposal of Long-Lived Assets," requires that long-lived assets be considered impaired if the sum of the expected future cash flows, undiscounted and without interest charges, is less than the carrying value of such assets. If impairment exists, an impairment loss is recognized, by a charge against earnings, equal to the amount by which the carrying value of the assets exceeds the fair value of the property. Long-lived assets to be disposed of are reported at the lower of carrying amount or fair value less cost to sell.

Revenue Recognition

We commenced revenue recognition in the quarter ended June 30, 2005. Revenue is recognized pursuant to SEC Staff Accounting Bulletin No. 104 "Revenue Recognition in Financial Statements" ("SAB 104"). Accordingly, revenue is recognized when all four of the following criteria are met: (i) persuasive evidence that an arrangement exists, (ii) delivery of the product and/or services has occurred, (iii) the selling process is fixed or determinable, and (iv) collectibility is reasonably assured. Further, if an arrangement other than a long-term contract requires the delivery or performance of multiple deliveries or elements under a bundled sale, we determine whether the individual elements represent "separate units of accounting" under the requirements of Emerging Issues Task Force Issue 00-21, ("EIFT 00-21") "Multiple Delivery Revenue Arrangements." Shipping and handling fees billed to customers are classified on the Consolidated Statement of Operations as "Net sales" and the associated costs are classified in "Cost of sales."

If the separate elements within a bundled sale are not considered separate units of accounting, the delivery of individual elements is considered not to have occurred if there are undelivered elements that are essential to the over functionality of the bundled sale transaction.

In accordance with SAB 104, revenues from product sales are generally recognized when title and risk of loss pass to the customer, except when product sales are combined with significant post-shipment installation services or unless the terms of the sale specifically call for formal acceptance by the customer. Under this exception, revenues will be deferred until such services have been performed and/or acceptance is acknowledged. Unearned income on service contracts is amortized by the straight-line method over the term of the individual contract. Installation revenue is recognized when the related services are performed.

Warranty Reserves

As revenues have occurred beginning in 2005, we have established an accrual for warranty work associated with link sales, recognized as a component of cost of sales. Our standard warranty has been established generally for a period of twelve months from the date of installation if the customer utilizes our personnel or any of our approved installer group to install the product; otherwise it is twelve months from the date of shipment. The warranty accrual at present represents our best estimate of the cost to settle existing and future claims on products sold and currently in warranty as of the periodic balance sheet date. The year ended December 31, 2006 was the first fiscal year for sales of our WiFiber G Series Gig*E* products. As of yet, we are evaluating the potential for warranty returns and our location repair work, which is likely to change over time as we improve our product reliability. As the number of product sales increase, we will accumulate more correlative information on current and forecast return incidences and average costs to repair. As with any estimate that requires application of judgment, amounts estimated in the warranty accrued to be payable could differ materially from what will actually transpire in the future.

Accounting for Share-Based Compensation

During fiscal 2005 and prior years, we accounted for stock options in accordance with Accounting Principles Board Opinion No. 25 and disclosed the pro forma effect of expensing stock options in accordance with SFAS 123. Effective January 1, 2006, we adopted SFAS 123(R), "Share-Based Payments" ("SFAS 123(R)") which requires us to recognize compensation expense in our financial statements for the fair value of stock options we

issue. Both SFAS 123 and SFAS 123(R) require management to make assumptions regarding the expected life of the options, the expected volatility of the options and other items in determining estimated fair value. Changes to the underlying assumptions may have significant impact on the underlying value of the stock options, which could have a material impact on our consolidated financial statements.

RESULTS OF OPERATIONS FOR THE THREE MONTHS ENDED JUNE 30, 2007 COMPARED TO THE THREE MONTHS ENDED JUNE 30, 2006

Net sales, gross margin and net loss

	Three Months Ended June 30, 2007	Three Months Ended June 30, 2006
Net sales	$ 2,068,563	$ 696,657
Gross margin	$ 358,866	$ 429,101
Net loss	$ (2,314,787)	$ (5,342,938)

For the three months ended June 30, 2007, our sales totaled $2,068,563, primarily from the sale of our WiFiber G series Gig*E* links. Sales for the three months ended June 30, 2006 totaled $696,657, primarily from the sale of WiFiber G links and installation contracts. Sales for the three months ended June 30, 2007 were 196.9% greater as compared to the same period in 2006. Unit sales of WiFiber G links were 221.7% higher for the three months ended June 30, 2007, compared to June 30, 2006, and the average selling price increased 36.4% in the same period. Also, we sold $32,663 of parts, components and installation to certain customers.

Gross margin as a percentage of net sales for the three months ended June 30, 2007 was 17.3%, compared to 61.6 % for the three month period ended June 30, 2006. The change in gross margin in the quarter ended June 30, 2007, was due to an additional $150,000 to the reserve for inventory obsolescence related to our WiFiber II carrying value, and established an additional reserve of $612,524 as a result of a review of our entire inventory stock for possible obsolescence. We also recorded a commission related to the Ministry of the Interior of Bahrain sale of $211,146 in the 2007 quarter. These charges to cost of goods sold impacted our gross margin for the quarter by a total of $974,670, or a total of 47.1 %, compared to the gross margin realized in the 2006 quarter. For the three months ended June 30, 2006, we accrued $146,000 for potential warranty expenses based on links shipped in the period. For the three months ended June 30, 2007, our warranty expense net addition was minimal due to the significant number of links whose warranty period had expired during the quarter.

Net loss for the three months ended June 30, 2007, was $2,314,787 compared to $5,342,938 for the three months ended June 30, 2006. We reduced our operating expenses significantly beginning in the first quarter of 2007 including:

- On January 5, 2007, we reduced our total work force levels from 53 to 26 persons.

- With the agreement of our landlord, and with no further lease payment obligations, we closed our Lewisville, Texas location in early January 2007 and combined these operations into our Durham, NC facility. In July 2007, we relocated our corporate offices, including our administrative, finance and accounting functions to the Durham facility.

Research and development. Research and development expenses decreased from $1,290,675 for the three months ended June 30, 2006 to $850,557 for the three months ended June 30, 2007, a decrease of $440,118, or 34.1%. The decrease is attributable primarily to lower development costs paid to third party software development and design parties by $456,000 as we have decreased development activities as part of our cost reduction activities. These decreased expenses were partially offset by rent for the Durham research and development facility of $40,449.